

Message Text

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SUBJECT: SABENA MINING CORPORATION PROJECT

REF: STATE 167745

1. SUMMARY. SABENA MINING CORPORATION IS A RELATIVELY NEW ORGANIZATION WHICH HAS HERETOFORE ENGAGED ONLY IN EXPLORATION. INDEPENDENT REPORTS INDICATE THAT IT HAS A POTENTIALLY VIABLE ORE BODY, AND ALTHOUGH IT HAS BEEN INVOLVED IN SOME CONTROVERSY, THE PERSONS INVOLVED IN MANAGEMENT APPEAR TO BE RESPONSIBLE BUSINESSMEN. WE BELIEVE FACTS AS WE KNOW THEM WARRANT FURTHER CONSIDERATION OF FINANCING BY EXIMBANK. VICTOR BARRIOS, WHO IS WELL KNOWN TO EMBASSY, IS NOW IN U.S. DISCUSSING PROJECT WITH POTENTIAL SUPPLIERS AND EXPECTS SOON TO BE IN WASHINGTON WHERE HE HOPES HAVE OPPORTUNITY TO DISCUSS POSSIBILITY OF FINANCING WITH EXIMBANK. END SUMMARY.

2. SABENA MINING CORPORATION IS REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION AND ITS STOCKS ARE LISTED ON THE MANILA AND MAKATI EXCHANGES. ITS ACTIVITIES TO DATE HAVE BEEN PRINCIPALLY CONFINED TO EXPLORATION AND TO TRADING IN MINING SHARES, INCLUDING ITS OWN, ON THE MANILA STOCK MARKET. IT REPORTEDLY HAS SUBSTANTIAL HOLDINGS OF PHILEX MINING, A LOCAL BLUE-CHIP COPPER FIRM. RAFAEL ATAYDE WAS ONLY RECENTLY NAMED PRESIDENT, HAVING TAKEN OVER IN A MANAGEMENT RESHUFFLE FROM HENRY BRIMO, WHO IS PRESIDENT OF PHILEX. THE RESHUFFLE WAS OCCASIONED BY AN INTERNAL LIMITED OFFICIAL USE

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DISPUTE OF THE VALIDITY AND METHODS OF IMPLEMENTING

THE DAVAO DEL NORTE COPPER MILLING PROJECT AT THIS TIME.

3. MR. BRIMO HAS TOLD US THAT HE COULD NOT AGREE TO THE BOARD'S DECISION TO IMPLEMENT THIS PROJECT AND THEREFORE WAS FORCED OUT OF MANAGEMENT. HE IS STILL A DIRECTOR AND LARGE SHAREHOLDER OF SABENA. HE BELIEVES THE PROJECT IS TOO RISKY AND SPECULATIVE. THE ORE RESERVES ARE INADEQUATE TO JUSTIFY AN INVESTMENT IN A MILL, AND THE MING COSTS WILL BE HIGH BECAUSE THE RESERVES ARE SPLIT INTO THREE DEPOSITS. HE SUGGESTS THAT EXIM SEND AN EXPERT AT SABENA'S EXPENSE TO INVESTIGATE THIS PROJECT BEFORE MAKING A DECISION TO FINANCE IT. MR. BRIMO ASKS THAT HIS COMMENTS BE HELD IN STRICTEST CONFIDENCE AND THAT HE NOT BE QUOTED TO ANYONE DISCUSSING THE PROJECT WITH EXIM.

4. MR. SISENANDO SAMANIEGO, CHIEF MINERALS ECONOMIST, BUREAU OF MINES HAS CONFIRMED THAT SABENA HOLD VALID COPPER CLAIMS IN DAVAO DEL NORTE. BUREAU OF MINES GEOLOGISTS MADE ESTIMATES ONE YEAR AGO THAT THERE ARE 20 MILLION MT OF RESERVES OF .6 PERCENT COPPER. A BUREAU OF MINES FIELD PARTY RE-EVALUATED THE RESERVE AREA IN RESPONSE TO VARIOUS RECENT PRESS REPORTS THAT SABENA HAD OVERSTATED ITS ORE RESERVES TO PROMOTE A STOCK RIGHTS ISSUE. THE NEW REPORT IS NOT YET PUBLISHED. MR. SAMANIEGO'S OPINION IS THAT RESERVES DO EXIST, CONFIRMED BY DRILLING DONE AT THE SITE, AND THAT THE SABENA PROJECT IS A LEGITIMATE AND POTENTIALLY Viable COPPER MINING AND MILLING OPERATION.

5. SABENA HAS APPLIED TO THE BOARD OF INVESTMENTS FOR INVESTMENT INCENTIVES ON THIS PROJECT. MR. AGAPITO KALINGKING, CHIEF ANALYST, METALS AND MINING INDUSTRIES DIVISION, INFORMS US THAT BOI IS WITHHOLDING ITS DECISION ON GRANTING INCENTIVES PENDING THE OFFICIAL RESULTS OF THE NEW BUREAU OF MINES SURVEY. HE CONFIRMED THE MINES INVESTIGATION WAS OCCASIONED BY CONTROVERSY OVER THE DOUBLING OF STATED ORE RESERVES BY THE NEW SAVENA MANAGEMENT WITHIN A SHORT PERIOD OF TIME AFTER TAKE OVER.

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6. PHILIPPINE INVESTMENT SYSTEMS ORGANIZATION (PISO) IS A SOUND AND RESPECTED LOCAL INVESTMENT HOUSE. IT CARRIES AN EXIM/CFF LINE OF CREDIT. MR. VICTOR BARRIOS IS WELL KNOWN TO THE EMBASSY. EXIM MAY RECALL THAT MR. BARRIOS WAS A MEMBER OF FIRST LADY IMELDA MARCOS' TEAM OF FINANCIERS THAT CALLED ON EXIM LAST NOVEMBER 18, 1975 (SEE 75 STATE 291721). HE IS ENROUTE

NOW TO THE U.S. AND EXPECTS TO BE IN WASHINGTON THE FIRST WEEK OF AUGUST TO DISCUSS THE PROJECT IN GREATER DETAIL.

7. WTDR'S ON SABENA AND PISO ARE BEING PREPARED.

8. COMMENT: EMBASSY CONCLUDES THIS MAY BE A VIABLE PROJECT AND MERITS CONSIDERATION BY EXIM. IT COULD GENERATE \$7 MILLION OF EQUIPMENT SALES FOR THE U.S. THE PRESENT CONTROVERSY SURROUNDING THE PROJECT APPEARS TO STEM FROM PERSONALITIES AS WELL AS DIFFERING MANAGEMENT JUDGEMENTS ON THE PROJECT ITSELF. MR. ATAYDE, THE PRESENT PRESIDENT OF SABENA, IS ALSO A PROMINENT FIGURE IN THE LOCAL MINING INDUSTRY, AND IS PRESIDENT OF INCO MINING WHICH SUCCESSFULLY PRODUCES AND EXPORTS MAGNETITE. HE IS ALSO VICE-CHAIRMAN OF PISO. WE UNDERSTAND FROM MR. BARRIOS OF PISO THAT SABENA HAS HIRED THE WELL KNOWN AND RESPECTED FIRM OF GERVACIO & ASSOCIATES, AND INDEPENDENT GEOLOGICAL CONSULTANT, TO PREPARE A STUDY OF THE PROJECT AS WELL. THE PHILIPPINE GOVERNMENT HAS RECENTLY LIFTED ITS BAN ON NEW COPPER MINING PROJECTS DUE TO THE INCREASE IN THE WORLD PRICE OF COPPER AND IS NOW ENCOURAGING A RE-EVALUATION OF LONG DORMANT PROJECTS LIKE THIS ONE OF SABENA. BENGUET CONSOLIDATED AND CDCP MING COMPANY ARE ALSO KNOWN TO BE REACTIVATING COPPER MINING/MILLING PROJECTS. END COMMENT.

9. ORBIT PHILIPPINES CONSOLIDATED MINES WILL BE DISCUSSED IN SEPARATE MESSAGE.

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